

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF LAKEVIEW	County MONTCALM
Audit Date FEBRUARY 29, 2004	Opinion Date APRIL 7, 2004	Date Accountant Report Submitted to State: JULY 28, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government* in Michigan issued by the Michigan Department of Treasury.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☐ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)
REHMANN ROBSON

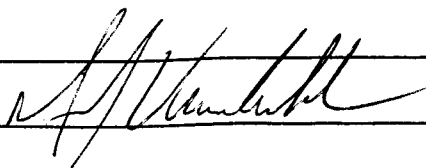
Street Address
PO BOX 6547

City
GRAND RAPIDS

State
MI

ZIP
49516-6547

Accountant Signature



VILLAGE OF LAKEVIEW

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-12
Basic Financial Statements:	
Governmental-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14-15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Balance Sheet/Statement of Net Assets	
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Major Streets Fund	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Property Replacement Fund	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Local Streets Fund	23
Statement of Net Assets – Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds	26
Notes to Financial Statements	27-40
 Individual Fund and Component Unit Statements and Schedules:	
General Fund:	
Schedule of Expenditures – Budget and Actual	41

VILLAGE OF LAKEVIEW
TABLE OF CONTENTS (CONTINUED)

	<u>PAGE</u>
Downtown Development Authority	
Balance Sheet	42
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	43
Statement of Revenues, Expenditures and Changes in Fund Balance	44
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	45
 Internal Control And Compliance	
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

April 7, 2004

Honorable President and
Members of the Village Council
Village of Lakeview, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Village of Lakeview, Michigan, as of and for the year ended February 29, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Lakeview, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Village of Lakeview, Michigan as of February 29, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 7, 2004, on our consideration of the Village of Lakeview's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

As described in Note 9, the Village adopted the provisions of Governmental Accounting Standards Board Statement Nos. 34, 37, and 38 and GASB Interpretation 6 as of February 29, 2004. This results in a change to the format and content of the basic financial statements.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Lakeview's basic financial statements. The individual fund schedules, are presented for purposes of additional analysis and are not a required part of the Village of Lakeview's basic financial statements. The individual schedules have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Rehmann Lohman

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Village of Lakeview, we offer readers of the Village of Lakeview's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 29, 2004. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The Village's commitment to public safety was supported by over 30% of governmental expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Lakeview's financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Village of Lakeview that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government administration, police, public works including major and local street maintenance and recreation and cultural activities. The business-type activities of the Village include sewer and water services.

The government-wide financial statements include not only the Village of Lakeview itself (known as the *primary government*), but also a legally separate Downtown Development Authority for which the Village is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Lakeview, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major street, property replacement and local street funds, each of which are considered to be major funds.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-23 of this report.

Proprietary funds. The Village of Lakeview maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Lakeview uses enterprise funds to account for its sewer and water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operation, of which both are considered to be major funds of the Village of Lakeview.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-40 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis.

Combining and individual fund statements and schedules can be found on pages 41-45 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Lakeview, assets exceeded liabilities by \$3,312,380 at the close of the most recent fiscal year.

A significant portion of the Village's net assets reflects unrestricted net assets which are available for future operation while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Because this is the first year of implementation of Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.

Village of Lakeview Net Assets

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Current and other assets	\$ 927,524	\$ 654,564	\$ 1,582,088
Capital assets	<u>826,640</u>	<u>2,553,404</u>	<u>3,380,044</u>
Total assets	<u>1,754,164</u>	<u>3,207,968</u>	<u>4,962,132</u>
Long-term liabilities outstanding	6,933	1,555,000	1,561,933
Other liabilities	<u>17,108</u>	<u>70,711</u>	<u>87,819</u>
Total liabilities	<u>24,041</u>	<u>1,625,711</u>	<u>1,649,752</u>
Net assets:			
Invested in capital assets, net			
of related debt	826,640	954,404	1,781,044
Restricted	228,950	-	228,950
Unrestricted	<u>674,533</u>	<u>518,853</u>	<u>1,193,386</u>
Total net assets	<u>\$1,730,123</u>	<u>\$1,582,257</u>	<u>\$ 3,312,380</u>

Net assets of the Village increased by \$71,207 with both the governmental and business-type activities showing additions to prior balances. The business-type activities increase in net assets of \$2,999 was primarily the result of revenue from operations. The governmental activities increase in net assets of \$68,208 is the relationship of expenditures to governmental activities revenues.

Village of Lakeview Changes in Net Assets

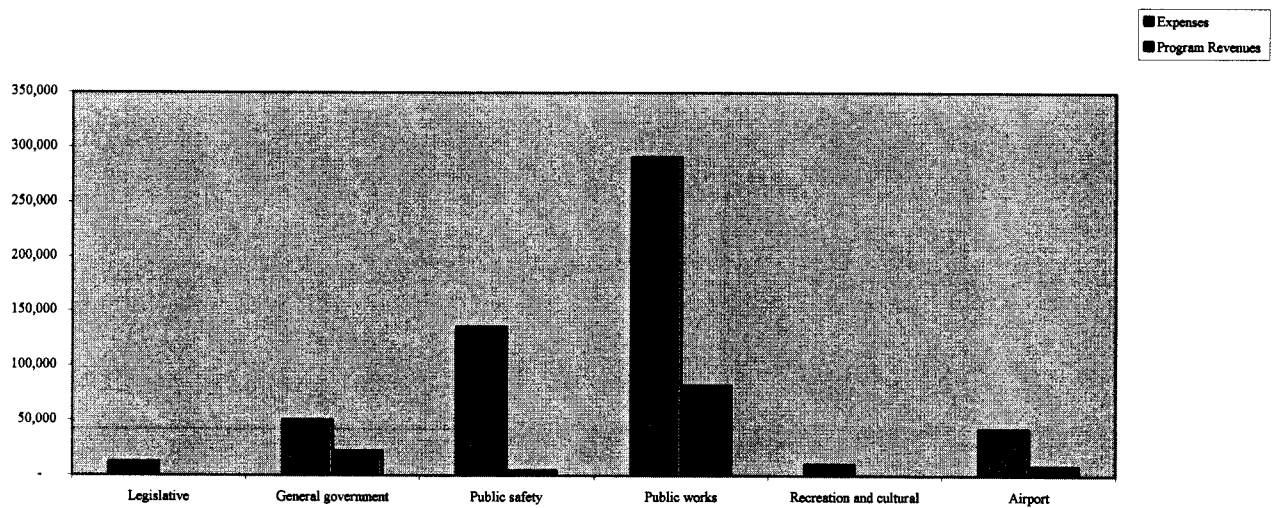
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Revenue:			
Program revenue:			
Charges for services	\$ 113,079	\$362,262	\$475,341
Operating grants and contributions	<u>4,359</u>	<u>-</u>	<u>4,359</u>
General revenue:	117,438	362,262	479,700
Property taxes	231,295	-	231,295
Other governmental sources	255,610	-	255,610
Other	<u>5,705</u>	<u>11,751</u>	<u>17,456</u>
Total revenue	<u>610,048</u>	<u>374,013</u>	<u>984,061</u>

	Governmental activities	Business-type activities	Total
Expenses:			
Legislative	\$ 12,373	\$ -	\$ 12,373
General government	50,265	-	50,625
Public safety	135,771	-	135,771
Public works	290,933	-	290,933
Recreation and cultural	10,488	-	10,488
Airport	42,010	-	42,010
Sewer	-	216,658	216,658
Water	-	154,356	154,356
Total expenses	541,840	371,014	912,854
Increase in net assets	68,208	2,999	71,207
Net assets - beginning of year	1,661,915	1,579,258	3,241,173
Net assets - end of year	\$1,730,123	\$1,582,257	\$3,312,380

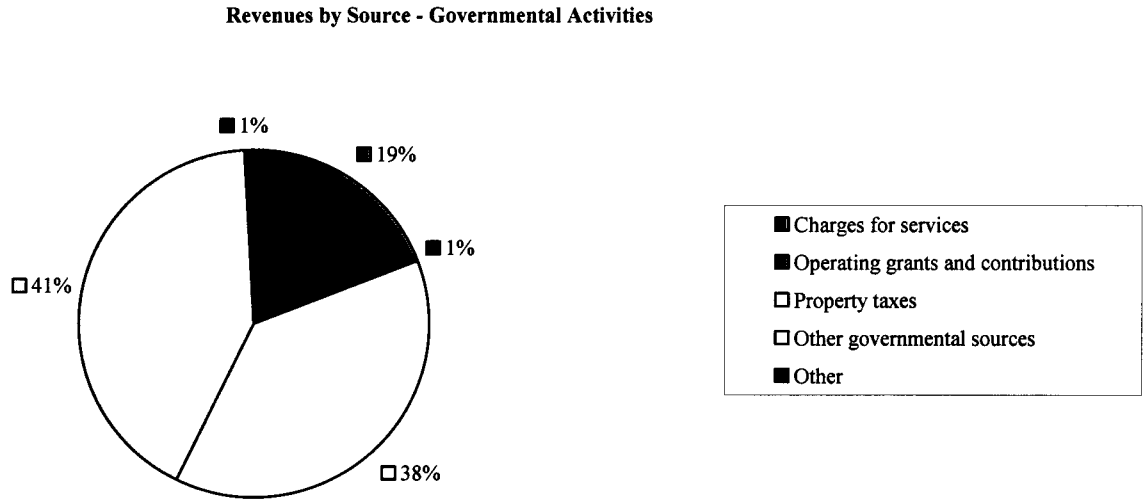
Governmental activities

During the year the Village continued its emphasis in public safety by investing \$135,771 or 25% of governmental activities expenses. Public works, which includes major and local street maintenance was \$290,933 or 54% of governmental activities expenses while general government, recreation and cultural and interest on long-term debt made up the remaining 21% of governmental activities expenses.

Expenses and Program Revenues - Governmental Activities



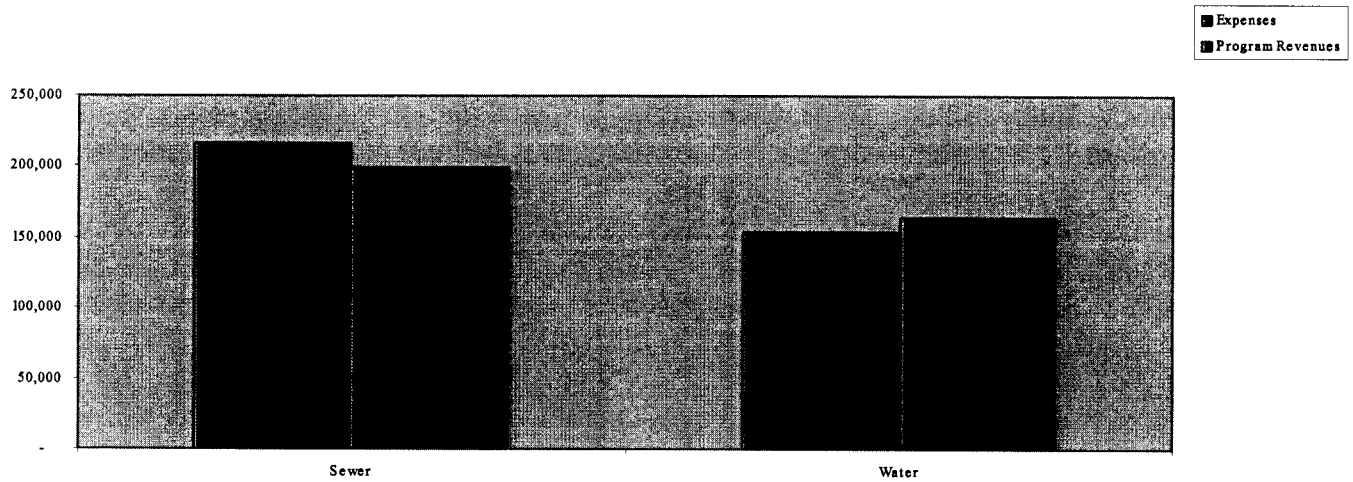
Revenues by Source - Governmental Activities



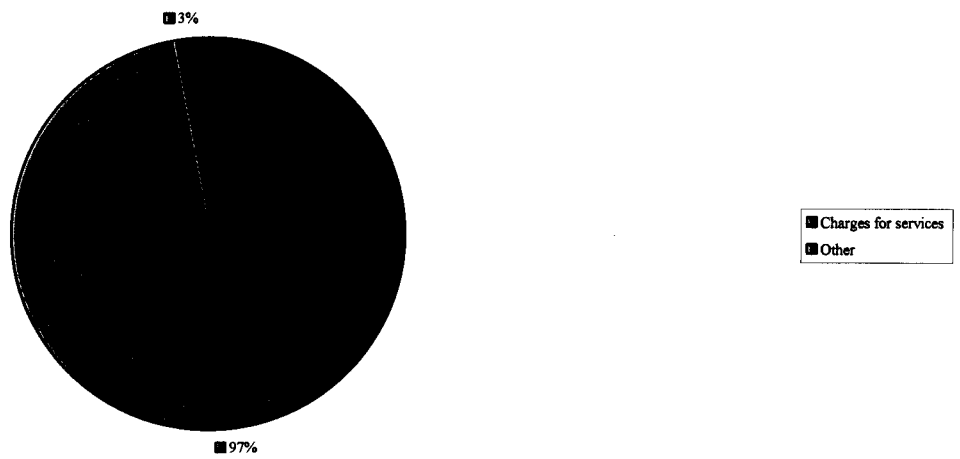
Business-type activities. Business-type activities increased the Village's net assets by \$2,999, accounting for 4 percent of the total growth in the government's net assets for the current year. By comparison, business-type activities reported an increase in net assets the previous fiscal year of approximately \$8,274. Key elements of this decrease are as follows:

- Charges for services for business-type activities decreased by 3 percent, or roughly \$9,400, compared to the prior year. This is a result of decreased usage (i.e., volume) for the water system.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$911,416, an increase of \$94,354 in comparison with the prior year.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$406,484 which is equal to total fund balance. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 138 percent of total general fund expenditures.

The fund balance of the Village's general fund increased by \$16,908 during the current fiscal year.

The major and local street funds have total fund balances of \$228,950, which increased by \$97,029 during the year. This due to no significant road projects during the year.

The property replacement fund has a total fund balance of \$275,982, which decreased by \$19,583 from the February 29, 2003 balance primarily due to completion of infrastructure projects. The balance of this fund is restricted for use as defined by the Village Council.

Proprietary funds. The Village's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the sewer and water funds at the end of the year amounted to \$228,017 and \$290,836, respectively. The sewer fund had a decrease in net assets for the year of \$13,393, whereas the water fund had an increase of \$16,392. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Village's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures were relatively minor for the year.

During the year, general fund revenues were higher than budgetary estimates and expenditures were less, resulting in an actual increase in fund balance that exceeded the final amended budget amount by \$36,517.

Capital Asset and Debt Administration

Capital assets. The Village's investment in capital assets for its governmental and business type activities as of February 29, 2004, amounted to \$3,380,044 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment. There were no significant capital purchases during the year.

Village of Lakeview Capital Assets (net of depreciation)

	<u>Governmental activities</u>	<u>Business- type activities</u>	<u>Total</u>
Land	\$485,908	\$ -	\$ 485,908
Buildings and system improvements	198,429	2,545,840	2,744,269
Vehicles and equipment	142,303	7,564	149,867
Total	\$826,640	\$2,553,404	\$3,380,044

Additional information on the Village of Lakeview capital assets can be found in Note 6 on pages 35-36 of this report.

Long-term debt. At the end of the current fiscal year, the Village had total debt outstanding of \$2,061,933 as follows:

General Obligation and Revenue Bonds

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Component unit</u>	<u>Total</u>
Accrued employee benefits	\$7,933	\$ -	\$ -	\$ 7,933
Bonds	<u>-</u>	<u>1,599,000</u>	<u>455,000</u>	<u>2,054,000</u>
Total	<u>\$7,933</u>	<u>\$1,599,000</u>	<u>\$455,000</u>	<u>\$2,061,933</u>

The Village's total debt decreased by \$61,338 during the current fiscal year.

The Village is currently not rated for general obligation bond issuance.

Additional information on the Village's long-term debt can be found in Note 8 on pages 37-38 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Village's budget for the 2004-05 fiscal year:

- Increased employee wages cost of 2%.
- Increased health insurance cost of 18%.
- Increased property tax revenue of 3.5%.
- No change in state revenue sharing payments due to state budget issues.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Manager, 315 Lincoln Avenue, P.O. Box 30, Lakeview, Michigan 48850.

BASIC FINANCIAL STATEMENTS

VILLAGE OF LAKEVIEW

STATEMENT OF NET ASSETS

FEBRUARY 29, 2004

	Primary Government			Downtown Development Authority Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 825,718	\$ 485,785	\$ 1,311,503	\$ 208,631
Investments	-	146,141	146,141	-
Receivables:				
Accounts receivable (net of allowance)	1	30,891	30,892	-
Due from governments	37,495	-	37,495	19,909
Due from state	20,483	-	20,483	-
Due from component unit	27,220	-	27,220	-
Accrued interest receivable	-	410	410	-
Internal balances	8,663	(8,663)	-	-
Inventory	332	-	332	-
Prepaid items and other assets	7,612	-	7,612	26,593
Land	485,908	-	485,908	-
Property and equipment, net of accumulated depreciation	340,732	2,553,404	2,894,136	595,138
Total assets	1,754,164	3,207,968	4,962,132	850,271
Liabilities				
Accounts payable	6,805	-	6,805	-
Accrued interest payable	-	25,173	25,173	11,455
Wages payable	5,978	1,538	7,516	-
Accrued expenses	3,325	-	3,325	-
Due to primary government	-	-	-	27,220
Noncurrent liabilities:				
Due within one year	1,000	44,000	45,000	15,000
Due in more than one year	6,933	1,555,000	1,561,933	440,000
Total liabilities	24,041	1,625,711	1,649,752	493,675
Net assets				
Invested in capital assets, net of related debt	826,640	954,404	1,781,044	140,138
Restricted for:				
Major street	133,136	-	133,136	-
Local Street	95,814	-	95,814	-
Unrestricted	674,533	518,853	1,193,386	216,458
Total net assets	\$ 1,730,123	\$ 1,582,257	\$ 3,312,380	\$ 356,596

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED FEBRUARY 29, 2004

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities:					
Legislative	\$ 12,373	\$ -	\$ -	\$ -	\$ (12,373)
General government	50,265	17,944	4,359	-	(27,962)
Public safety	135,771	4,537	-	-	(131,234)
Public works	290,933	81,958	-	-	(208,975)
Recreation and culture	10,488	-	-	-	(10,488)
Airport	42,010	8,640	-	-	(33,370)
Total governmental activities	<u>541,840</u>	<u>113,079</u>	<u>4,359</u>	<u>-</u>	<u>(424,402)</u>
Business-type activities:					
Sewer	216,658	198,557	-	-	(18,101)
Water	154,356	163,705	-	-	9,349
Total business-type activities	<u>371,014</u>	<u>362,262</u>	<u>-</u>	<u>-</u>	<u>(8,752)</u>
Total primary government	<u>\$ 912,854</u>	<u>\$ 475,341</u>	<u>\$ 4,359</u>	<u>\$ -</u>	<u>\$ (433,154)</u>
Component unit					
Downtown development authority	<u>\$ 45,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (45,089)</u>

Continued

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

STATEMENT OF ACTIVITIES (CONCLUDED)

FOR THE YEAR ENDED FEBRUARY 29, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (424,402)	\$ (8,752)	\$ (433,154)	\$ (45,089)
General revenues:				
Property taxes	231,295	-	231,295	105,751
State	255,610	-	255,610	-
Unrestricted investment earnings	5,705	11,751	17,456	1,204
Total general revenues	492,610	11,751	504,361	106,955
Change in net assets	68,208	2,999	71,207	61,866
Net assets, beginning of year, as restated	1,661,915	1,579,258	3,241,173	294,730
Net assets, end of year	\$ 1,730,123	\$ 1,582,257	\$ 3,312,380	\$ 356,596
				Concluded

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

**BALANCE SHEET
GOVERNMENTAL FUNDS**

FEBRUARY 29, 2004

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>MAJOR STREETS</u>	<u>PROPERTY REPLACEMENT</u>	<u>LOCAL STREETS</u>	<u>TOTAL</u>
Cash and temporary investments	\$ 329,073	\$ 126,415	\$ 275,882	\$ 94,348	\$ 825,718
Prepaid expenditures	7,612	-	-	-	7,612
Accounts receivable	1	-	-	-	1
Due from state	-	14,954	-	5,529	20,483
Due from other funds	20,959	-	100	-	21,059
Due from other governmental units	37,495	-	-	-	37,495
Due from component units	27,220	-	-	-	27,220
Inventory	332	-	-	-	332
<u>TOTAL ASSETS</u>	\$ 422,692	\$ 141,369	\$ 275,982	\$ 99,877	\$ 939,920
 <u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES					
Accounts payable	\$ 6,805	\$ -	\$ -	\$ -	\$ 6,805
Salaries and wages payable	5,978	-	-	-	5,978
Due to other funds	100	8,233	-	4,063	12,396
Accrued expenses	3,325	-	-	-	3,325
<u>TOTAL LIABILITIES</u>	16,208	8,233	-	4,063	28,504
FUND BALANCE					
Unreserved- undesignated	406,484	133,136	275,982	95,814	911,416
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 422,692	\$ 141,369	\$ 275,982	\$ 99,877	\$ 939,920

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

FEBRUARY 29, 2004

Fund balances - total governmental funds \$ 911,416

Amounts reported for *governmental activities* in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds.

Add - land	485,908
Add - capital assets	674,603
Deduct - accumulated depreciation	(333,871)

Certain liabilities, such as bonds payable, are not due and payable in the
current period and therefore are not reported in the funds.

Deduct - compensated absences	<u>(7,933)</u>
-------------------------------	----------------

Net assets of governmental activities	<u>\$1,730,123</u>
---------------------------------------	--------------------

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED FEBRUARY 29, 2004

	GENERAL FUND	MAJOR STREETS	PROPERTY REPLACEMENT	LOCAL STREETS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 151,900	\$ 31,060	\$ -	\$ 48,335	\$ 231,295
Intergovernmental revenue:					
State	149,390	75,971	-	30,249	255,610
Charges for services	20,233	-	-	-	20,233
Fines and forfeits	3,613	-	-	-	3,613
Interest earnings	3,289	807	2,416	569	7,081
Other	7,388	4,315	-	-	11,703
TOTAL REVENUES	335,813	112,153	2,416	79,153	529,535
EXPENDITURES					
Current:					
Legislative	8,743	-	-	-	8,743
General government	41,847	15,719	-	5,614	63,180
Public safety	129,366	-	-	-	129,366
Public works	47,101	-	-	-	47,101
Recreation and cultural	9,995	-	-	-	9,995
Highway and streets	-	37,673	-	35,271	72,944
Other expenditures	56,853	-	-	-	56,853
Capital outlay	-	-	46,999	-	46,999
TOTAL EXPENDITURES	293,905	53,392	46,999	40,885	435,181
REVENUES OVER (UNDER) EXPENDITURES	41,908	58,761	(44,583)	38,268	94,354
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	25,000	-	25,000
Transfers (out)	(25,000)	-	-	-	(25,000)
TOTAL OTHER FINANCING SOURCES (USES)	(25,000)	-	25,000	-	-
NET CHANGE IN FUND BALANCES	16,908	58,761	(19,583)	38,268	94,354
FUND BALANCES, BEGINNING OF YEAR	389,576	74,375	295,565	57,546	817,062
FUND BALANCES, END OF YEAR	\$ 406,484	\$ 133,136	\$ 275,982	\$ 95,814	\$ 911,416

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED FEBRUARY 29, 2004

Net change in fund balances - total governmental funds	\$ 94,354
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Deduct - depreciation expense	(25,483)
Some revenues and expenses reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues or expenditures in the funds	
Deduct - increase in the accrual for compensated absences	<u>(663)</u>
Change in net assets of governmental activities	<u>\$ 68,208</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AMENDED BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED FEBRUARY 28, 2004

	GENERAL FUND			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	
REVENUES				
Taxes	\$ 152,100	\$ 151,900	\$ 151,900	\$ -
Intergovernmental revenue:				
State	146,750	136,005	149,390	13,385
Charges for services	19,061	18,088	20,233	2,145
Fines and forfeits	200	1,500	3,613	2,113
Interest earnings	4,000	2,620	3,289	669
Other	3,850	6,348	7,388	1,040
TOTAL REVENUES	325,961	316,461	335,813	19,352
EXPENDITURES				
Current operations				
Legislative	10,945	10,420	8,743	1,677
General government	47,987	46,898	41,847	5,051
Public safety	129,003	128,470	129,366	(896)
Public works	74,876	54,018	47,101	6,917
Recreation and culture	17,192	11,943	9,995	1,948
Other	57,828	59,321	56,853	2,468
TOTAL EXPENDITURES	337,831	311,070	293,905	17,165
REVENUES OVER (UNDER) EXPENDITURES	(11,870)	5,391	41,908	36,517
OTHER FINANCING SOURCES (USES)				
Transfers out	(25,000)	(25,000)	(25,000)	-
NET CHANGE IN FUND BALANCE	(36,870)	(19,609)	16,908	36,517
FUND BALANCE, BEGINNING OF YEAR	389,576	389,576	389,576	-
FUND BALANCE, END OF YEAR	\$ 352,706	\$ 369,967	\$ 406,484	\$ 36,517

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

MAJOR STREETS FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED FEBRUARY 29, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Property taxes	\$ 31,060	\$ 31,060	\$ 31,060	\$ -
Intergovernmental revenue:				
State shared revenues	73,800	71,350	75,971	4,621
Interest earnings	1,500	750	807	57
Other	-	-	4,315	4,315
TOTAL REVENUES	106,360	103,160	112,153	8,993
EXPENDITURES				
General government				
Administration	15,923	16,698	15,719	979
Highways and streets				
Construction	15,000	5,000	2,112	2,888
Routine maintenance	17,457	8,247	8,251	(4)
Traffic services	5,255	5,170	4,300	870
Winter maintenance	24,805	29,805	23,010	6,795
TOTAL EXPENDITURES	78,440	64,920	53,392	11,528
REVENUES OVER (UNDER) EXPENDITURES	27,920	38,240	58,761	20,521
NET CHANGE IN FUND BALANCE	27,920	38,240	58,761	20,521
FUND BALANCE, BEGINNING OF YEAR	74,375	74,375	74,375	-
FUND BALANCE, END OF YEAR	\$ 102,295	\$ 112,615	\$ 133,136	\$ 20,521

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

**PROPERTY REPLACEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

FOR THE YEAR ENDED FEBRUARY 29, 2004

	AMENDED BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Interest earnings	\$ 3,500	\$ 2,500	\$ 2,416	\$ (84)
EXPENDITURES				
Capital Outlay	26,000	26,000	46,999	20,999
REVENUES OVER (UNDER) EXPENDITURES	(22,500)	(23,500)	(44,583)	(21,083)
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	25,000	25,000	-
NET CHANGE IN FUND BALANCE	2,500	1,500	(19,583)	(21,083)
FUND BALANCE, BEGINNING OF YEAR	295,565	295,565	295,565	-
FUND BALANCE, END OF YEAR	\$ 298,065	\$ 297,065	\$ 275,982	\$ (21,083)

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

LOCAL STREET FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED FEBRUARY 29, 2004

	AMENDED BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Property tax	\$ 45,950	\$ 48,334	\$ 48,335	\$ 1
Intergovernmental revenue:				
State shared revenues	30,000	28,400	30,249	1,849
Interest earnings	750	460	569	109
TOTAL REVENUES	76,700	77,194	79,153	1,959
EXPENDITURES				
General government				
Administration	5,806	5,964	5,614	350
Highways and streets				
Construction	25,000	18,962	13,538	5,424
Routine maintenance	10,916	6,205	6,206	(1)
Traffic services	3,992	2,050	1,447	603
Winter maintenance	14,265	17,995	14,080	3,915
TOTAL EXPENDITURES	59,979	51,176	40,885	10,291
REVENUES OVER (UNDER) EXPENDITURES	16,721	26,018	38,268	12,250
NET CHANGE IN FUND BALANCE	16,721	26,018	38,268	12,250
FUND BALANCE, BEGINNING OF YEAR	57,546	57,546	57,546	-
FUND BALANCE, END OF YEAR	\$ 74,267	\$ 83,564	\$ 95,814	\$ 12,250

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

FEBRUARY 29, 2004

	ENTERPRISE FUNDS		
	SEWER	WATER	TOTALS
Assets			
Current			
Cash and cash equivalents	\$ 223,497	\$ 262,288	\$ 485,785
Investments	140	37,001	37,141
Accrued interest receivable	-	415	415
Accounts receivable - customers	18,470	12,416	30,886
Due from other funds	440	-	440
Total current assets	242,547	312,120	554,667
Noncurrent			
Restricted investments	54,000	55,000	109,000
Property, plant and equipment, net of accumulated depreciation	1,735,800	817,604	2,553,404
Total noncurrent assets	1,789,800	872,604	2,662,404
Total assets	2,032,347	1,184,724	3,217,071
Liabilities			
Current			
Salaries and wages payable	907	631	1,538
Accrued bond interest payable	8,902	16,271	25,173
Due to other funds	4,721	4,382	9,103
Total current liabilities	14,530	21,284	35,814
Current payable from restricted assets			
Bonds payable- current portion	26,000	18,000	44,000
Long-term liabilities			
Bonds payable- net of current portion	857,000	698,000	1,555,000
Total liabilities	897,530	737,284	1,634,814
Net assets			
Invested in capital assets, net of related debt	852,800	101,604	954,404
Restricted for debt service	54,000	55,000	109,000
Unrestricted	228,017	290,836	518,853
Total net assets	\$ 1,134,817	\$ 447,440	\$ 1,582,257

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

FOR THE YEAR ENDED FEBRUARY 29, 2004

	ENTERPRISE FUNDS		
	SEWER	WATER	TOTAL
OPERATING REVENUES			
Charges for services	\$ 196,282	\$ 160,200	\$ 356,482
Connection fees and turn on charges	1,500	3,465	4,965
Miscellaneous	775	40	815
TOTAL OPERATING REVENUES	198,557	163,705	362,262
OPERATING EXPENSES			
Salaries and wages	20,773	16,180	36,953
Fringe benefits	4,638	3,624	8,262
Operating supplies	2,652	4,131	6,783
Contracted services	3,732	7,530	11,262
Treatment services	7,803	1,028	8,831
Lab fees	3,610	788	4,398
Repairs and maintenance	1,308	4,217	5,525
Utilities	13,307	7,408	20,715
Equipment rental	12,373	6,441	18,814
Administrative allocation	23,578	23,578	47,156
Insurance	3,014	2,641	5,655
Training	749	1,033	1,782
Printing and publishing	1,085	1,158	2,243
Membership dues	-	355	355
Miscellaneous	-	5,584	5,584
Depreciation	66,272	34,696	100,968
TOTAL OPERATING EXPENSES	164,894	120,392	285,286
OPERATING INCOME	33,663	43,313	76,976
NONOPERATING REVENUES (EXPENSES)			
Interest	4,708	7,043	11,751
Interest on bonds	(51,764)	(33,964)	(85,728)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(47,056)	(26,921)	(73,977)
CHANGE IN NET ASSETS	(13,393)	16,392	2,999
NET ASSETS, BEGINNING OF YEAR	1,148,210	431,048	1,579,258
NET ASSETS, END OF YEAR	\$ 1,134,817	\$ 447,440	\$ 1,582,257

The accompanying notes are an integral part of these financial statements.

VILLAGE OF LAKEVIEW

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED FEBRUARY 29, 2004

	ENTERPRISE FUNDS		
	SEWER	WATER	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 199,176	\$ 164,423	\$ 363,599
Payments to suppliers	(88,473)	(19,999)	(108,472)
Payments to employees	(25,411)	(65,639)	(91,050)
NET CASH PROVIDED BY OPERATING ACTIVITIES	85,292	78,785	164,077
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payment of bond principal	(26,000)	(21,000)	(47,000)
Payment of bond interest	(50,178)	(34,027)	(84,205)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(76,178)	(55,027)	(131,205)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earnings	4,834	7,031	11,865
Purchase of investments	(140)	-	(140)
NET CASH PROVIDED BY INVESTING ACTIVITIES	4,694	7,031	11,725
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,808	30,789	44,597
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	209,689	231,499	441,188
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 223,497	\$ 262,288	\$ 485,785
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 33,663	\$ 43,313	\$ 76,976
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	66,272	34,696	100,968
Changes in operating assets and liabilities which provided (used) cash:			
Accounts receivable - customers	393	718	1,111
Due from other funds	226	-	226
Salaries and wages payable	(87)	(195)	(282)
Due to other funds	(15,175)	253	(14,922)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 85,292	\$ 78,785	\$ 164,077

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF LAKEVIEW
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Lakeview conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant principals and policies:

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the Village and its component unit an entity with which the Village is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the financial statements to emphasize they are legally separate from the Village. A separate section of the individual funds and component unit statement and schedules provides detailed financial information on the discretely presented component unit.

Discretely Presented Component Unit

Downtown Development Authority - The members of the governing board of the Downtown Development Authority are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority.

Related Organization

The Village's officials are also responsible for appointing members to the Board of the Village of Lakeview Hospital Finance Authority, but the Village's accountability for this organization does not extend beyond making the appointments.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from the certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

VILLAGE OF LAKEVIEW
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After October 1 of each year, the County pays the Village, and is responsible for collecting, any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences and debt service expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The *General Fund* is the Village's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The *Major Streets Fund* is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as major streets in the Village.

The *Property Replacement Fund* accounts for monies reserved to replace assets of the Village in future years.

The *Local Streets Fund* is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as local streets in the Village.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 29, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Village reports the following major proprietary funds:

The *Sewer Enterprise Fund* is used to account for the operations of the Village's sewer department that provides sewer services to most residents of the Village on a user charge basis.

The *Water Enterprise Fund* is used to account for the operations of the Village's water department that provides water services to most residents of the Village on a user charge basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Governmental funds are under formal budgetary control. Budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results. Budgetary control is exercised at the department level. The Village manager is authorized to transfer budget amounts between line items within department, however, any supplemental appropriations that amend total expenditures of any department require Village Council resolution. Unexpended appropriations lapse at year-end.

VILLAGE OF LAKEVIEW
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Village considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are stated at fair value at the balance sheet date.

Restricted Assets

Certain resources set aside for repayment of bonds and to meet bond covenants, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial at year end.

Due to/from Other Funds

During the course of its operations, the Village has numerous transactions between funds to finance operations, to provide services, purchase assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added in 2004.

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 29, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure), as well as capital assets of component units, is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	15-20
Buildings	50
Office furniture and equipment	5-10
Vehicles	5
Public domain infrastructure	20-50
System infrastructure	50

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other expenditures.

Compensated Absences

Individual employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in Village policies.

Accumulated vacation time of governmental funds is recorded on statement of net assets and not on the governmental fund balance sheets because it is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds have been evaluated and determined to be immaterial to the financial statements as a whole. Consequently, no portion of the liability is reported on the statements of net assets of the individual enterprise funds.

VILLAGE OF LAKEVIEW
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 15. Real property taxes not collected as of October 1 are returned to the County for collection, which advances the Village 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Village Treasurer.

Property taxes levied in July of each year are recognized as revenue in that year.

Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services and to service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended February 29, 2004, the Village carried commercial insurance to cover most risks of losses. The Village has had no claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted on the activity level in the General Fund and the function level in other funds.

During the year ended February 29, 2004, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
Public Safety	\$128,470	\$129,366	\$896

VILLAGE OF LAKEVIEW

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 29, 2004

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The captions on the combined balance sheet relating to cash and cash equivalents and the amounts in the Total (Memorandum Only) column are as follows:

	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>DDA</u>	<u>Total</u>
Cash and cash equivalents	\$825,718	\$485,785	\$208,631	\$1,520,134
Investments – certificates of deposit	-	146,141	-	146,141
	<u>\$825,718</u>	<u>\$631,926</u>	<u>\$208,631</u>	<u>\$1,666,275</u>

	<u>Bank Balance</u>
The bank balances of the Village's deposits were classified as to risk as follows:	
Insured (FDIC)	\$ 154,140
Uninsured, uncollateralized	1,512,831
Total	<u>\$1,666,971</u>

These deposits are in two (2) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Village and a specific fund or common account. They are recorded in Village records at fair value. Interest is recorded when earned.

Investments

State statutes authorize the Village to invest in the following:

- Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through 12/31/97.

VILLAGE OF LAKEVIEW
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004

4. INTERFUND RECEIVABLES AND PAYABLES

	Due From Other Funds	Due to Other Funds
General Fund	\$20,959	\$ 100
Major Street Fund	-	8,233
Local Street Fund	-	4,063
Property Replacement Fund	100	-
Sewer	440	4,721
Water	-	4,382
	\$21,499	\$21,499

Interfund balances primarily reflect loans made from funds with cash and cash equivalents to those funds requiring temporary cash flow needs.

5. INTERFUND TRANSACTIONS

Transfers in and out for the year ended February 29, 2004 for the purposes of property replacement are as follows:

	Property Replacement Funds	Total
General Fund	\$25,000	\$25,000

VILLAGE OF LAKEVIEW
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004

6. CAPITAL ASSETS

Capital asset activity for the year ended February 29, 2004 was as follows:

	Balance February 28, 2003	Additions	Dispositions	Balance February 29, 2004
Governmental activities				
Capital assets, not being depreciated:				
Land	\$485,908	\$ -	\$ -	\$485,908
Capital assets, being depreciated:				
Buildings and improvements	308,461	-	-	308,461
Vehicles and equipment	366,142	-	-	366,142
Total capital assets, being depreciated	674,603	-	-	674,603
Less accumulated depreciation for:				
Buildings and improvements	103,182	6,850	-	110,032
Vehicles and equipment	205,206	18,637	-	223,839
Total accumulated depreciation	308,388	25,483	-	333,871
Net capital assets, being depreciated	366,215	(25,483)	-	340,732
Net governmental activities capital assets	\$852,123	\$(25,483)	\$ -	\$826,640
Business-type activities				
Capital assets, being depreciated:				
Equipment	\$ 97,630	\$ -	\$ -	\$ 97,630
Infrastructure	3,980,474	-	-	3,980,474
Total capital assets, being depreciated	4,078,104	-	-	4,078,104
Less accumulated depreciation for:				
Equipment	88,280	1,785	-	90,065
Infrastructure	1,335,452	99,183	-	1,434,635
Total accumulated depreciation	1,423,732	100,968	-	1,524,700
Net capital assets, being depreciated	2,654,372	(100,968)	-	2,553,404
Net business-type activities capital assets	\$2,654,372	\$(100,968)	\$ -	\$2,553,404

VILLAGE OF LAKEVIEW
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004

6. CAPITAL ASSETS (CONTINUED)

	Balance February 28, 2003	Additions	Dispositions	Balance February 29, 2004
Downtown Development Authority				
Capital assets, being depreciated:				
Equipment	\$ 7,527	\$ -	\$ -	\$ 7,527
Infrastructure	633,841	-	-	633,841
 Total capital assets, being depreciated	 641,368	 -	 -	 641,368
 Less accumulated depreciation for:				
Equipment	-	-	-	-
Infrastructure	33,329	12,901	-	46,230
 Total accumulated depreciation	 33,329	 12,901	 -	 46,230
 Net capital assets, being depreciated	 608,039	 (12,901)	 -	 595,138
 Net downtown development authority Capital assets	 \$608,039	 \$(12,901)	 \$ -	 \$595,138

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Legislative	\$ 582
General government	2,364
Public safety	6,385
Highways and streets	13,683
Recreation and culture	493
Airport	1,976
 Total depreciation expense – governmental activities	 \$25,483
 Business-type activities:	
Sewer	\$ 66,272
Water	34,696
 Total depreciation expense – business-type activities	 \$100,968

7. DEFERRED COMPENSATION PLAN

The Village participates in a deferred compensation plan qualifying under Section 457 of the Internal Revenue Code. The plan is administered by the Massachusetts Mutual Life Insurance Company and is available to all employees. Under the plan, employees can elect to defer a portion of their wages each pay period. After an employee has worked at the Village for two years, the Village also makes an additional matching contribution of up to 5% of the employees' annual wage. The deferred amounts are not taxable to the employees until retirement or separation from employment. All assets of the plan are held in trust for the employees and are not included in the Village financial statements.

VILLAGE OF LAKEVIEW
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004

8. LONG-TERM DEBT

The following is a summary of debt transactions of the Village for the year ended February 29, 2004:

	Balance February 28, 2003	Additions	Deletions	Balance February 29, 2004	Due Within One Year
<i>Governmental Activities</i>					
Accrued Employee Benefits	\$ 7,270	\$663	\$ -	\$7,933	\$1,000
<i>Business-type Activities</i>					
1967 Sewer Revenue Bonds, due in annual amounts of \$15,000 plus interest at 4.5% through 2007.	60,000	-	15,000	45,000	15,000
1986 Sewer Revenue Bonds, due in amounts ranging from \$4,000 to \$13,000 plus interest at 6.125% through 2026.	233,000	-	6,000	227,000	6,000
1986 Series B Sewer Revenue Bonds, due in annual amounts ranging from \$1,000 to \$16,000 plus interest at 6.125% through 2026.	174,000	-	1,000	173,000	1,000
1982 Water Revenue Bonds, due in annual amounts ranging from \$10,000 to \$35,000 plus interest at 5.0% through 2020.	410,000	-	15,000	395,000	15,000
2000 Water Supply System Revenue Bonds, due in annual amounts ranging from \$3,000 to \$19,000 plus interest at 5.125% through 2040.	327,000	-	6,000	321,000	3,000
2001 Sanitary Sewer System Revenue Bonds, due in annual amounts ranging from \$4,000 to \$25,000 plus interest at 5.0% through 2041.	442,000	-	4,000	438,000	4,000
Total Business-type Activities	1,646,000	-	47,000	1,599,000	44,000

VILLAGE OF LAKEVIEW
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004

8. LONG-TERM DEBT (CONTINUED)

	<u>Balance February 28, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance February 29, 2004</u>	<u>Due Within One Year</u>
<i>Component Unit</i>					
2001 Downtown Development Bonds due in annual amounts ranging from \$15,000 to \$40,000 plus interest at 4.1% through 2021.	\$ 470,000	\$ -	\$15,000	\$ 455,000	\$15,000
Total Long-term Debt - Reporting Entity	<u>\$2,123,270</u>	<u>\$663</u>	<u>\$62,000</u>	<u>\$2,061,933</u>	<u>\$60,000</u>

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of February 29, 2004 are as follows:

<u>Year Ending February 28,</u>	<u>Business-Type Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 44,000	\$ 84,474	\$ 15,000	\$ 26,603
2006	44,000	82,266	20,000	21,988
2007	47,000	80,058	20,000	21,260
2008	32,000	77,676	20,000	20,410
2009	40,000	75,921	20,000	19,540
2010-2014	262,000	357,648	120,000	82,881
2015-2019	333,000	265,003	160,000	50,420
2020-2024	230,000	182,876	80,000	8,260
2025-2029	169,000	120,865	-	-
2030-2034	144,000	83,492	-	-
2035-2039	186,000	42,082	-	-
2040-2044	68,000	3,700	-	-
Total	<u>\$1,599,000</u>	<u>\$1,456,061</u>	<u>\$455,000</u>	<u>\$251,362</u>

VILLAGE OF LAKEVIEW
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004

9. RESTATEMENTS

As of and for the year ended February 29, 2004, the Village implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

Interpretation

- No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The Village is required to implement the new requirements no later than the fiscal year ending February 29, 2004.

The more significant of the changes required by the new standards include:

- Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government’s major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
 - Budgetary statement and schedules
 - Notes to the basic financial statements

As a result of implementing these pronouncements for the fiscal year ended February 29, 2004, the following restatements were made to beginning net asset accounts.

VILLAGE OF LAKEVIEW
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004

9. RESTATEMENTS (CONTINUED)

Government-wide financial statements. Beginning net assets for governmental activities was determined as follows:

Fund balances of governmental funds as of February 28, 2003	\$ 817,062
Add: Governmental capital assets, including general fixed assets as of February 28, 2003	1,160,511
Deduct: Accumulated depreciation as of February 28, 2003 on above governmental capital assets	(308,388)
Deduct: Compensated absences payable as of February 28, 2003	<u>(7,270)</u>
Governmental net assets, restated, as of March 1, 2003	<u>\$1,661,915</u>

Beginning net assets for the Downtown Development Authority was determined as follows:

Fund balance of DDA as of February 28, 2003	\$168,454
Add: DDA capital assets as of February 28, 2003	641,368
Deduct: Accumulated depreciation as of February 28, 2003 on above governmental capital assets	(33,329)
Deduct: Bonds payable as of February 28, 2003	(470,000)
Deduct: Accrued interest on bonds	<u>(11,763)</u>
Downtown development Authority net assets, restated, as of March 1, 2003	<u>\$294,730</u>

**INDIVIDUAL FUND AND COMPONENT UNIT
STATEMENTS AND SCHEDULES**

GENERAL FUND

VILLAGE OF LAKEVIEW
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
LEGISLATIVE	\$ 10,945	\$ 10,420	\$ 8,743	\$ 1,677
GENERAL GOVERNMENT				
Executive - village president	3,282	3,314	3,048	266
Elections	710	260	203	57
General services administration				
Village clerk	10,141	9,738	9,002	736
Village treasurer	2,442	2,551	2,487	64
Cemetery	24,726	24,642	22,002	2,640
Zoning	6,686	6,393	5,105	1,288
TOTAL GENERAL GOVERNMENT	47,987	46,898	41,847	5,051
PUBLIC SAFETY				
Police	129,003	128,470	129,366	(896)
PUBLIC WORKS				
Department of public works				
Equipment rent	(75,358)	(87,451)	(80,515)	(6,936)
Operations and administration	73,646	68,827	64,991	3,836
Sidewalks	19,023	14,451	11,650	2,801
Storm drains	2,000	2,000	-	2,000
Street lighting	14,000	15,200	14,319	881
Environmental control	41,565	40,991	36,656	4,335
TOTAL PUBLIC WORKS	74,876	54,018	47,101	6,917
RECREATION AND CULTURAL				
Parks and recreation	17,192	11,943	9,995	1,948
OTHER EXPENDITURES				
Tamarack Lake project	7,900	7,911	7,911	-
Hydrant rental	7,000	7,000	7,000	-
Airport maintenance	40,928	42,410	40,034	2,376
Other functions	2,000	2,000	1,908	92
TOTAL OTHER EXPENDITURES	57,828	59,321	56,853	2,468
TOTAL EXPENDITURES	\$ 337,831	\$ 311,070	\$ 293,905	\$ 17,165

DOWNTOWN DEVELOPMENT AUTHORITY

VILLAGE OF LAKEVIEW
BALANCE SHEET
DOWNTOWN DEVELOPMENT AUTHORITY

FEBRUARY 29, 2004

	<u>GENERAL FUND</u>
 <u>ASSETS</u>	
Cash and cash equivalents	\$ 208,631
Prepaid expenditures	26,593
Due from other governmental units	<u>19,909</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 255,133</u>
 <u>LIABILITIES AND FUND EQUITY</u>	
LIABILITIES	
Due to primary government	<u>\$ 27,220</u>
 TOTAL LIABILITIES	 <u>27,220</u>
 FUND EQUITY	
Fund balance	
Unreserved - undesignated	<u>227,913</u>
 TOTAL FUND EQUITY	 <u>227,913</u>
 <u>TOTAL LIABILITIES AND FUND EQUITY</u>	 <u>\$ 255,133</u>

VILLAGE OF LAKEVIEW

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
DOWNTOWN DEVELOPMENT AUTHORITY**

FEBRUARY 29, 2004

Fund balances - total component unit funds \$ 227,913

Amounts reported for component unit activities in the statement of net assets
are different because:

Capital assets used in component unit activities are not financial resources
and therefore are not reported in the funds.

Add - capital assets	641,368
Deduct - accumulated depreciation	(46,230)

Certain liabilities, such as bonds payable, are not due and payable in the
current period and therefore are not reported in the funds.

Deduct - note payable	(455,000)
Deduct - accrued interest	(11,455)

Net assets of component unit activities	<u>\$ 356,596</u>
---	-------------------

VILLAGE OF LAKEVIEW

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
DOWNTOWN DEVELOPMENT AUTHORITY**

FOR THE YEAR ENDED FEBRUARY 28, 2004

	<u>GENERAL FUND</u>
REVENUES	
Taxes	\$ 105,751
Interest and rents	<u>1,204</u>
TOTAL REVENUES	<u>106,955</u>
EXPENDITURES	
Current operations	
General government	9,279
Principal retirement	15,000
Interest and fiscal charges	<u>23,217</u>
TOTAL EXPENDITURES	<u>47,496</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>59,459</u>
NET CHANGE IN FUND BALANCE	59,459
FUND BALANCES, BEGINNING OF YEAR	<u>168,454</u>
FUND BALANCES, END OF YEAR	<u>\$ 227,913</u>

VILLAGE OF LAKEVIEW

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES DOWNTOWN DEVELOPMENT AUTHORITY

FOR THE YEAR ENDED FEBRUARY 29, 2004

Net change in fund balances - total governmental funds \$ 59,459

Amounts reported for component unit activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Deduct - depreciation expense (12,901)

Bond proceeds provide current financial resources to governmental funds in the period
issued, but issuing bonds increases long-term liabilities in the statement of net assets.
Repayment of bond principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term debt 15,000

Some revenues and expenses reported in the statement of activities do not
provide or require the use of current financial resources and therefore are not
reported as revenues or expenditures in the funds

Add - decrease in accrued interest payable on bonds 308

Change in net assets of governmental activities \$ 61,866

INTERNAL CONTROL AND COMPLIANCE



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

April 7, 2004

Honorable President and
Members of the Village Council
Village of Lakeview, Michigan

We have audited the financial statements of the Village of Lakeview, Michigan, as of and for the year ended February 29, 2004, and have issued our report thereon dated April 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Lakeview, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Lakeview, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Village Council, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Robson